

**CHAPTER 14: ALLOWANCES FOR EXPENSES INCURRED IN CONNECTION
WITH REAL ESTATE TRANSACTIONS AND UNEXPIRED LEASE**

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CHAPTER 14

ALLOWANCES FOR EXPENSES INCURRED IN CONNECTION WITH REAL ESTATE TRANSACTIONS AND UNEXPIRED LEASE

C14000 GENERAL

1. **CONDITIONS.** An employee will be entitled to reimbursement for expenses required to be paid by him in connection with the sale of his residence at his old duty station; the purchase (including construction) of a residence at his new duty station; or in connection with the settlement of an unexpired lease involving his residence or a lot on which a mobile home used as his residence was located at his old duty station, after he has signed the required transportation agreement and provided that:

1. a permanent change of station is authorized or approved and the old and new duty stations are located within the United States, Commonwealth of Puerto Rico, or the areas and installations in the Republic of Panama made available to the United States under the Panama Canal Treaty of 1977 and related agreements (as described in section 3(a) of the Panama Canal Act of 1979).
2. the title to the residence or dwelling at the old or new duty station, or the interest in a cooperatively owned dwelling or in an unexpired lease, is in the name of the employee alone, or in the joint names of the employee and one or more dependents, or solely in the name of one or more dependents (to be eligible for reimbursement of costs of selling a dwelling or terminating a lease at the employee's old duty station, acquisition of the employee's interest in the property must have occurred prior to the date when the employee was first definitely informed that he was to be transferred to the new duty station);
3. the dwelling at the old duty station was the employee's actual residence at the time he was first definitely informed by appropriate authority that he was to be transferred to a new duty station;

4. the settlement dates for the sale and purchase or lease termination transaction are within the time limitation prescribed in subpar. 2;
5. the expenses for which reimbursement is claimed were paid by the employee (if any expenses were shared by persons other than the employee, reimbursement is limited to the portion actually paid by the employee; or if the residence is a duplex or other type of multiple occupancy dwelling which is occupied only partially by the employee, or whenever the employee shares responsibility for a leased property, such as a shared apartment arrangement, expenses will be reimbursed on a pro rata basis; and the employee will also be limited to pro rata reimbursement when he sells or purchases land in excess of that which reasonably relates to the residence site);
6. the residence or dwelling is the residence (which may be a mobile home and/or the lot on which such mobile home is located or will be located) from which the employee regularly commutes to and from work, except that when the duty station is in a remote area where adequate family housing is not available within reasonable commuting distance, then a residence will be considered to include the dwelling where the dependents of the employee reside or will reside, but only if such residence reasonably relates to the permanent duty station as determined by the travel-approving official concerned.

2. **TIME LIMITATIONS ON RESIDENCE OR LEASE TERMINATION TRANSACTIONS.** Except as provided herein, the settlement dates for the sale and purchase or lease termination transactions

for which reimbursement is request must not be later than 2 years after the date that the employee reported for duty at the new permanent duty station. The 2-year time period begins with the day following the date the employee reports for duty and ends on the second anniversary of the reporting date. (For example, if an employee reported for duty on 20 October 1982, settlement must be no later than 20 October 1984.) Upon an employee's written request, the 2-year time limitation for completion of the sale and purchase or lease termination transactions may be extended by the commanding officer of the activity bearing the cost, or his designee for an additional period of time not to exceed 1 year. The employee's written request should be submitted to the appropriate authority as soon as the employee becomes aware of the need for an extension but before expiration of the 2-year limitation; however, in no case will the request be submitted later than 30 calendar days after the expiration date unless this 30-day period is specifically extended by the commanding officer of the activity bearing the cost. Approval of the additional period of time will be based on a determination that extenuating circumstances, acceptable to the commanding officer of the activity concerned (par. C3000), have previously prevented the employee from completing the sale and purchase or lease termination transactions in the initial time frame and that the residence transactions are reasonably related to the permanent change of station. (For an employee who reported on 20 October 1982 and is granted an extension to the 2-year time limitation, settlement could be no later than 20 October 1985. MS Comp. Gen. B-191018, 26 December 1978.) The provisions of this paragraph are effective for those employees whose effective date of transfer (date the employee reports for duty at the new official station) is on or after 1 October 1982. In addition, the provisions for extension of the time limitation will also be applicable to employees whose time limitation will not have expired prior to 23 August 1982, provided that when such an extension is approved by a DOD component, relocation entitlements and allowances will be determined by using the prescribed entitlements and allowances in effect on the employee's effective date of transfer and not the entitlements and allowances in effect at the time the extension of the time limitation is approved.

C14001 EXCLUSIONS

The provisions of this Chapter do not apply to the following:

1. a new appointee assigned to a first duty station;
2. an employee transferred from or to a duty post outside the United States, Commonwealth of Puerto Rico, or the areas and installations in the Republic of Panama made available to the United States under the Panama Canal Treaty of 1977 and related agreements (as described in section 3(a) of the Panama Canal Act of 1979).
3. an employee authorized transportation for dependents and/or household goods to or from a training location when such transportation is authorized in lieu of per diem or actual expense allowances while at the training location under the provisions of par. C4502;
4. an employee assigned to a post of duty outside the continental United States returning for the purpose of separation;
5. an employee performing renewal agreement travel and return to an overseas duty station in the same town or city (there is entitlement when return is to an overseas duty station in a different town or city and the old and new duty stations are located in Alaska, Hawaii, United States territories and possessions, Commonwealth of Puerto Rico, or the areas and installations in the Republic of Panama made available to the United States under the Panama Canal Treaty of 1977 and related agreements (as described in section 3(a) of the Panama Canal Act of 1979).

C14002 ALLOWABLE EXPENSES FOR SALE OR PURCHASE OF RESIDENCE

1. REIMBURSABLE EXPENSE
 - a. Broker's Fees or Real Estate Commission.
A broker's fee or real estate commission paid by the

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employee for services in selling his residence is reimbursable, but not in excess of rates generally charged for such services by the broker or by brokers in the locality of the old duty station. No such fee or commission is reimbursable in connection with the purchase of a home at the new duty station.

b. Other Advertising and Selling Expenses.

Costs of newspaper, bulletin board, multiple-listing services, or other advertising for sale of the residence at the old duty station are reimbursable if the employee has not paid for such services in the form of a broker's fee or real estate agent's commission. Customary costs of appraisal also are reimbursable.

c. Legal and Related Costs. To the extent such costs have not been included in broker's or similar services for which reimbursement is claimed under other categories, the following expenses are reimbursable with respect to the sale and purchase of residences if they are customarily paid by the seller of a residence at the old duty station or if customarily paid by the purchaser of a residence at the new duty station, to the extent they do not exceed amounts customarily charged in the locality of the residence:

1. costs of searching title, preparing abstract and legal fees for a title opinion, or where customarily furnished by the seller, the cost of a title insurance policy;
2. costs of preparing conveyances, other instruments, and contracts;
3. related notary fees and recording fees;
4. costs of making surveys, preparing drawings or plats when required for legal financing purposes; and
5. expenses similar to those in items 1 through 4.

When a single over-all legal fee is charged, such fee may be paid without itemization if it is within the customary range of charges in the locality of the residence transaction (56 Comp. Gen. 561). Costs of litigation are not reimbursable.

Effective 1 October 1987

d. Miscellaneous Expenses

(1) **Reimbursable Items.** The expenses listed below are reimbursable in connection with the sale

and/or purchase of a residence, provided they are customarily paid by the seller of a residence in the locality of the old official station or by the purchaser of a residence at the new official station, to the extent they do not exceed specifically stated limitations, or in the absence thereof, amounts customarily paid in the locality of the residence:

1. FHA or VA fee for the loan application;
2. loan origination fees and similar charges such as loan assumption fees and loan transfer fees (A loan origination fee is a fee paid by the borrower to compensate the lender for administrative-type expenses incurred in originating and processing a loan. Reimbursement for a loan assumption fee, a loan transfer fee, or a similar charge also may be allowed, if it is assessed in lieu of a loan origination fee and reflects charges for services similar to those covered by a loan origination fee. An employee may be reimbursed for these fees in an amount not in excess of 1 percent of the loan amount without itemization of the lender's administrative charges. Reimbursement may exceed 1 percent only if the employee shows by clear and convincing evidence that: (a) the higher rate does not include prepaid interest, points, or a mortgage discount; and (b) the higher rate is customarily charged in the locality where the residence is located.);
3. cost of preparing credit reports;
4. mortgage and transfer taxes;
5. state revenue stamps;
6. other fees and charges similar in nature to those listed above, unless specifically prohibited in subpar. (2) herein;
7. charge for prepayment of a mortgage or other security instrument in connection with the sale of a residence at the old permanent duty station to the extent the terms in the mortgage or other security instrument provide for this charge; (This prepayment penalty is also reimbursable when the mortgage or other security instrument does not specifically provide for prepayment, provided this penalty is customarily charged by the lender, but in that case the reimbursement may not exceed 3 months' interest on the loan balance.)

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8. mortgage title insurance policy paid for by the employee on a residence purchased by the employee for the protection of, and required by, the lender;
 9. owner's title insurance policy, provided it is a prerequisite to financing or the transfer of property; or the cost of the owner's title insurance policy is inseparable from the cost of other insurance, which is a prerequisite to financing or the transfer of property; and
 10. expenses in connection with construction of a residence, which are comparable to expenses that are reimbursable in connection with the purchase of an existing residence.
- (2) Nonreimbursable Items. Except as otherwise provided in subpar. (1) above, the following items of expense are not reimbursable:

1. owner's title insurance policy, "record title" insurance policy, mortgage insurance or insurance against loss or damage of property, and optional insurance paid for by the employee in connection with the purchase of a residence for the protection of the employee;
2. interest on loans, points, and mortgage discounts;
3. property taxes;
4. operating or maintenance costs;
5. no fee, cost, charge, or expense determined to be part of the finance charge under the Truth in Lending Act, Title I, P.L. 90-321, and Regulation Z issued in accordance with P.L. 90-321 by the Board of Governors of the Federal Reserve System, unless specifically authorized in subpar. (1) above;
6. expenses that result from construction of a residence; and
7. VA funding fee (64 Comp. Gen. 674 (1985)).

e. Losses Due to Prices or Market Conditions at the Old and New Duty Stations. Losses due to failure to sell a residence at the old duty station at the price asked, or at its current appraised value, or at its original cost, or losses due to failure to buy a dwelling at the new duty station at a price comparable to the selling price of the residence at

the old duty station, and any similar losses, are not reimbursable.

f. Other Expenses of Sale and Purchase of Residences. Incidental charges made for required services in selling and purchasing residences are reimbursable if they are customarily paid by the seller of a residence at the old duty station or if customarily paid by the purchaser of a residence at the new duty station, to the extent that they do not exceed amounts customarily charged in the locality of the residence.

g. Procedure and Claim Requirements. For procedure and claim requirements incident to reimbursement in connection with sale and/or purchase of a residence, see par. C14004.

Effective for those employees whose effective date of transfer (date the employee reports for duty at the new official station) is on or after 1 October 1987.

2. **LIMITATION OF REIMBURSEMENT.** The total amount of expenses that may be reimbursed is as follows:

1. In connection with the sale of the residence at the old permanent duty station, reimbursement shall not exceed 10 percent of the actual sale price or \$17,177, whichever is the lesser amount.
2. In connection with the purchase of a residence at the new permanent duty station, reimbursement shall not exceed 5 percent of the purchase price or \$8,589, whichever is the lesser amount.

**C14003 ALLOWABLE EXPENSES
FOR SETTLEMENT OF AN
UNEXPIRED LEASE**

Expenses incurred for settling an unexpired lease (including month-to-month rental) on residence quarters occupied by the employee at the old duty station may include broker's fees for obtaining a sublease or charges for advertising an unexpired lease. Such expenses are reimbursable when:

1. applicable laws or the terms of the lease provide for payment of settlement expenses,

2. such expenses cannot be avoided by sub-leasing or other arrangement,
3. the employee has not contributed to the expense by failing to give appropriate lease termination notice promptly after he has definite knowledge of the proposed transfer, and
4. the broker's fees or advertising charges are not in excess of those customarily charged for comparable services in that locality.

Itemization of these expenses is required, the total amount of which will be entered in the travel voucher. The voucher may be submitted separately or with a claim that is to be made for expenses incident to the purchase of a dwelling. Each item must be supported by documentation showing that the expense was, in fact, incurred and paid by the employee.

C14004 REIMBURSEMENT FOR CLOSING COSTS INCIDENT TO SALE OR PURCHASE OF RESIDENCE

1. APPLICATION FOR REIMBURSEMENT AND DOCUMENTATION OF EXPENSES

a. General. In order to be reimbursed for the expenses of a real estate transaction, an employee

must prepare and submit an Application for Reimbursement of Expenses Incurred by DOD Civilian Employee Upon Sale or Purchase (or both) of Residence Upon Change of Duty Station (DD Form 1705). The form includes the items of incurred expense for which reimbursement may be claimed. Amounts claimed for reimbursement must be entered in the appropriate space on the form. Each amount claimed must be supported by documentation showing that the expense was, in fact, incurred and paid by the claimant. The required supporting documentation that must be included with a claim application is prescribed in subpars. b and c.

b. Sale of Former Residence. In connection with the sale of a former residence, the following supporting documents are required:

1. sales agreement;
2. property settlement document;
3. mortgage document (if prepayment fee is claimed, the document must include terms of payment);
4. paid invoices or receipts for bills paid; and
5. property settlement document and approved claim application if there has been a prior claim settlement in connection with the purchase of a residence.

c. Purchase of New Residence. In connection with the purchase of a new residence, the following supporting documents are required:

1. purchase agreement,
2. property settlement document,
3. loan closing statement,
4. paid invoices or receipts for bills paid,
5. property agreement document and approved claim application if there has been a prior claim settlement in connection with the sale,
6. disclosure statement on finance charges when provided by a lending institution in compliance with P.L. 90-321 "The Truth in Lending Act."

2. SUBMISSION OF CLAIM

a. Claim Voucher. Travel Voucher or Sub-voucher (DD Form 1351-2) will be prepared and used in transmitting the claim application with supporting attachments for settlement processing. Reimbursement for allowable costs may be claimed for both the sale of a former residence and purchase of a new residence in the same claim application form or may be claimed in separate claim applications when a sale and purchase occur at different times.

b. Claim Initiation. The claimant will prepare the application for reimbursement of expenses incurred upon sale and/or purchase of residence in triplicate and attach one complete set of documents required in subpars. 1b and/or c to support each item claimed. These should be photo or picture copies as they will not be returned. The original and 1 copy of the completed application, supporting documents, and completed DD Form 1351-2 will be submitted to the personnel office or industrial relations office at the new duty station. A copy of the application will be retained by the claimant.

c. Routing for Review of Application. The personnel officer or industrial relations officer will be responsible for routing the original application, supporting documents, and DD Form 1351-2 to the appropriate official designated to review the application for the reasonableness and propriety of charges claimed. If purchase of a residence at the new duty station is involved, the supported claim will be routed to the designated reviewing official at the employee's

new duty station. If sale of a residence at the old duty station is involved, the supported claim will be forwarded to the personnel officer or industrial relations officer at the old duty station for routing to the designated reviewing official at the old duty station.

3. REVIEW AND APPROVAL OF REASONABLENESS OF CHARGES

a. Official Responsible for Review. An official designated by the commanding officer of an activity will be responsible for reviewing the charges claimed in an application for reimbursement and documentation of costs incurred in the sale and/or purchase of a residence. This person may be a real estate officer, a legal officer, a travel-approving official, or other appropriate responsible official. This review is intended to be limited to determining whether the expenses claimed are reasonable in amount and customarily paid by the seller or buyer in the locality where the property is located. If items of cost appear to have been inflated or are higher than normally imposed for similar services in the locality and for which a satisfactory explanation cannot be obtained, any portion of such costs determined to be excessive will not be approved. The reviewing official will attach to the claim application an explanation of his recommendations with respect to disallowing, reducing, or adjusting cost items. If approved, the reviewing official will indicate the amount, sign the claim application, and return the complete claim case to the official from whom it was received at the employee's new duty station for forwarding to the appropriate official for approval of payment. If a reviewing official determines that he cannot approve an application because of incomplete documentation or for other reasons, he will return the claim case with an explanatory letter to the official from whom it was received at the employee's new duty station for forwarding to the employee concerned. The reviewing official may utilize the service of available legal officers in determining whether any item of expense claimed is a real estate expense or to resolve doubt as to whether an item of expense is a finance charge under the Truth in Lending Act (P.L. 90-321).

b. Assistance Provided by Local Insuring Offices of the Department of Housing and Urban Development. Technical assistance in determining the

DATA REQUIRED BY THE PRIVACY ACT OF 1974 (18 U.S.C. 552a)	
TITLE OF FORM Application for Reimbursement of Expenses Incurred by DoD Civilian Personnel Upon Sale or Purchase (or both) of Residence 1. AUTHORITY Upon Change of Duty Station	PRESCRIBING DIRECTIVE Vol. 2, JTR, par. C14004
Title 5 U.S. Code 572 4a, Relocation of Employees Transferred or Re-employed	
2. PRINCIPAL PURPOSE(S) Claim form upon which to request reimbursement of expenses related to sale or purchase (or both) of a residence incident to a change in duty station	
3. ROUTINE USES This form is sent by agencies to local finance and accounting offices for individual reimbursement. A copy of the form is retained by the local finance and accounting office and the original voucher is forwarded to the repository for accounting and finance vouchers as a permanent record of payment.	
4. MANDATORY OR VOLUNTARY DISCLOSURE AND EFFECT ON INDIVIDUAL NOT PROVIDING INFORMATION There is neither a statute nor an executive order which requires an individual to furnish this information; however, completion of this form is necessary before reimbursement can be authorized and paid. The personal information requested is necessary to properly identify the requestor.	
DD FORM 1705 - Privacy Act Statement - 1 May 76 DA Form 4368-R, 1 May 76 (One-Time) Incl 3	

reasonableness of an expense may be obtained from the local insuring office of the Department of Housing and Urban Development (HUD) serving the area in which the expense occurred. The local insuring office maintains and can furnish upon request a current Schedule of Closing Costs (FHA Form 2496), applicable to the area. This is a schedule of closing costs typically encountered in connection with the purchase and sale of single family properties in the locality. These closing costs should be used as guidelines and not as rigid limitations in determining whether the expenses claimed are reasonable and may be approved for reimbursement. The insuring office also will furnish, upon request, information concerning local custom and practices with respect to charging of closing costs related to either a sale or purchase, including information as to whether such costs are customarily paid by the seller or purchaser and the local terminology used to describe them. Department of Housing and Urban Development insuring offices are located in all major cities. The mailing addresses for these offices are included in the U.S. Government Organization Manual, published annually by the Office of the Federal Register, National Archives and Records Service, General Services Administration. A directory containing the addresses of all such offices, Field Office Jurisdiction (HUD Form 788), may be examined at any local insuring office of the Department of Housing and Urban Development or copies may be obtained either from the insuring office or from the Director, Management Division, Federal Housing Administration, Department of Housing and Urban Development, Washington, DC 20411.

4. **APPROVAL OF PAYMENT.** When the charges claimed have been approved as reasonable and proper, the application, supporting documents, and DD Form 1351-2 will be submitted to the travel or claim voucher approving official for approval for payment and then to the appropriate paying office. The official who approves the claim for payment may accept as conclusive the required prior approvals covering reasonableness and custom and will independently determine if:

1. the aggregate amount of expenses claimed is within the prescribed limitations,

2. all the conditions and requirements under which allowances may be paid have been met,
3. the expenses are those which are reimbursable.

★5. **PRIVACY ACT STATEMENTS.** This subparagraph implements the Privacy Act of 1974 (5 U.S. Code 552a) by adding Privacy Act Statements for DD Form 1705. The form shown on page 14-6 will be reproduced locally and made available to the individual supplying data shown on DD Form 1705.

C14005 REIMBURSEMENT FOR COSTS INCIDENT TO SETTLEMENT OF UNEXPIRED LEASE

Travel Voucher or Subvoucher (DD Form 1351-2) will be used in submitting claim for reimbursement of allowable costs incurred incident to settlement of an unexpired lease. Rental penalty cost will not be allowed if, upon official notification of the date of transfer, the employee could have avoided such expense by giving timely notice of intent to vacate. Allowable cost items will be limited to those payments made by the employee concerned which represent unavoidable expenses directly attributable to termination of a lease prior to the expiration date. Itemization is required of the expense amounts, the total amount of which will be entered on the claim voucher. The claim must be supported by the following documentation:

1. copy of the lease prescribing penalties or other costs payable if occupancy is terminated prior to the lease expiration date,
2. the extent of bona fide attempts made if the lease includes a saving provision for subleasing or making other arrangements to avoid penalty costs,
3. itemization and explanation necessary for clarification of penalty costs claimed for reimbursement and paid receipts for each expense item.

The DD Form 1351-2 will be prepared, signed, and routed for settlement in the same manner as that prescribed in par. C5004-1.